

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	168.25	0.00	0.00	168.25	0.00	0.00	168.25	168.25
Personal Services	7,638,628	425,946	438,967	8,503,541	459,688	847,353	8,945,669	17,449,210
Operating Expenses	2,155,234	(21,907)	187,025	2,320,352	(11,647)	187,025	2,330,612	4,650,964
Equipment	5,700	0	0	5,700	0	0	5,700	11,400
Total Costs	\$9,799,562	\$404,039	\$625,992	\$10,829,593	\$448,041	\$1,034,378	\$11,281,981	\$22,111,574
General Fund	1,548,902	92,838	2,053,288	3,695,028	101,162	2,723,544	4,373,608	8,068,636
State/Other Special	1,770,665	56,820	(99,718)	1,727,767	63,456	(102,782)	1,731,339	3,459,106
Federal Special	6,479,995	254,381	(1,327,578)	5,406,798	283,423	(1,586,384)	5,177,034	10,583,832
Total Funds	\$9,799,562	\$404,039	\$625,992	\$10,829,593	\$448,041	\$1,034,378	\$11,281,981	\$22,111,574

Program Description

The purpose of the Child Support Enforcement Division (CSED) is to pursue and obtain financial and medical support for children by establishing, enforcing, and collecting financial support owed by obligated parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures obligated parents maintain medical health insurance coverage for their dependent children. Child support payments are collected for families receiving public assistance as well as those not on assistance. Services are available to any applicant regardless of income level.

Activities carried out by program staff are authorized in Title 40, Chapter 5, MCA, and are mandated by the federal government in accordance with Title IV-D of the Social Security Act, 42 USC 651 et seq., and 45 CFR, Chapter 3.

Program Highlights

Child Support Enforcement Division Major Budget Highlights	
♦	Total funding for the division increases by 7.1 percent between the 2007 and 2009 biennia, but the general fund increases by 135 percent due to: <ul style="list-style-type: none"> Funding switches mandated by the federal Deficit Reduction Act including: <ul style="list-style-type: none"> \$3.8 million for the elimination of the incentive fund match rate \$0.4 million to cover the federal share of a newly mandated \$25 fee for persons that have never been on TANF assistance The pay and retirement plans implemented by the legislature through HB 13, HB 63, and HB 131 - \$0.4 million general fund and \$0.86 million federal revenue

Program Narrative

Legislators traversed the division's 2009 biennial budget in the overarching context of the division's purpose, new federal mandates within the federal Deficit Reduction Act of 2005 (DRA), and its goals and measurable objectives to reach a final legislative budget that differs only slightly from the executive budget. The legislature addressed:

1. The divisions' purpose;
2. Components in the division goals and objectives that spoke to continued professional achievement of mandated federal goals and requirements, assisting Tribal child support programs, seeking increased medical support for children, and addressing staff retention; and

3. Increased funding for:

- a) Statewide and present law funding of just over \$400,000 each year;
- b) New proposals of \$4.2 million general fund over the biennium due to the federal Deficit Reduction Act of 2005; and
- c) The statewide pay and retirement plans in HB 13, HB 63 and HB 131.

The Purpose

The Child Support Enforcement Division (CSED) pursues and obtains financial and medical support from non-custodial parents. Federal regulation mandates a child support enforcement program in all states under Title IV-D of the Social Security Act in order for states to:

1. Maintain state eligibility for federal Temporary Assistance for Needy Families (TANF) Block Grant; and
2. Receive federal funding for the program.

Services must be available to anyone who applies, regardless of the family income and resource level. Individuals who receive public assistance under TANF, Medicaid, and the Foster Care Program are automatically referred to CSED. As a condition of the TANF block grant, collection of child support owed to the family is automatically assigned to the state and is used to reimburse federal and state governments for welfare benefits paid to the family. Individuals not on TANF may also apply for CSED services, and their support collections are forwarded to the custodial party. It is also possible for other states to refer cases to Montana for action when a non-custodial parent lives in Montana.

The services provided by CSED tie directly to its goals and objectives, which are also mandated and monitored by the federal Office of Child Support Enforcement.

Legislative Discussion

While the performance of the CSED staff and their ability to meet the federal goals was not an issue (in FFY 2006 CSED reached a historical high in child support collection of nearly \$60 million), the legislature did address the \$4.2 million increase in general fund and the need to align the division's goals and measurable objectives with the increased state funding in addition to the federally mandated goals. The following paragraphs reflect the Deficit Reduction Act and its impact on the division and its goals and objectives.

The Deficit Reduction Act of 2005

Child Support Enforcement Programs nationwide were originally established under the concept of recovering the costs of public assistance payments made under welfare systems. Montana was no exception, and for a number of years the division's activities were funded with state special revenue from collections of child support and from federal incentive funds received for meeting or exceeding the federal incentive performance measures.

However, over the last two biennia, there has been movement at the federal level to shift a larger portion of child support funding to the states, and Montana has provided a general fund increase. For the 2009 biennium, that increase is nearly \$4.2 million general fund due to the federal Deficit Reduction Act:

1. Disallowance of the use of federal incentive payments to match other federal funds - \$3.8 million;
2. Mandatory \$25 fee for services from clients that have never been on TANF - \$0.4 million; and
3. Decrease from the 90 percent federal match for child support paternity testing services to a federal match of 66 percent, the match rate for other program operating costs - \$39,000.

The largest impact of the DRA, \$3.8 million, comes from the elimination of the incentive grant match. States receive incentive grants for meeting or exceeding the federal performance measures, and have been allowed to use the incentive grant to draw federal match at 66 percent. The DRA now prohibits states from using federal incentive grant funds as a match for federal child support enforcement funding, thereby eliminating the match CSED has historically drawn. The loss of this match has an estimated general fund impact of \$1.6 million in FY 2008 and \$2.2 million in FY 2009.

States were given two federally approved options to address the \$25 fee for services: 1) collect the fee and pass on the 66 percent federal share; or 2) opt not to collect the fee and pay the federal agency its 66 percent share of the amount that would have been collected. Rather than impose the fee, the legislature chose to appropriate \$374,050 of general fund over the biennium to pay the federal share of the mandated \$25 fee.

The legislature also provided support for the DRA federal match adjustment on paternity testing, which changed the 90 percent federal match for child support paternity testing services down to a federal match of 66 percent, the match rate for other program operating costs. The impact on the general fund is about \$19,000 per year. This appropriation is included in a new proposal (#50002) for the incentive grant funding switch.

While acknowledging that this use of general fund would be ongoing, the legislature designated the \$3.8 million appropriation for the incentive grant funding switch as one-time-only to allow the division and the next legislature to better assess the amount of general fund that would need to become part of the division's base budget.

Due to the reduction in state special revenues from child support collections from decreases in the statewide TANF caseload, there is further TANF caseload discussion in the Human and Community Services Division in this volume, the legislature approved nearly \$202,000 general fund authority over the biennium to address the caseload decrease as well as a reduction due to the federal calculation of the incentive funds. There is a table showing TANF collections on page B-60.

The following figure shows the increase in general fund support relative to the decreases in state and federal special revenue.

Figure 24 Child Support Enforcement Summary of Historical Expenditures/Funding								
Source	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Actual Fiscal 2006*	Projected Fiscal 2007	Appropriated ===== Fiscal 2008	Fiscal 2009
General Fund	\$225,000	\$225,000	\$271,276	\$276,386	\$1,548,902	\$1,884,200	\$3,695,028	\$4,373,608
State Special Revenue	3,250,625	2,863,929	2,056,454	2,675,072	1,770,665	1,630,469	1,727,767	1,731,339
Federal Special Revenue	6,881,101	6,370,998	6,050,914	5,895,458	6,479,995	6,806,405	5,406,798	5,177,034
HB 2 Total	<u>\$10,356,726</u>	<u>\$9,459,927</u>	<u>\$8,378,644</u>	<u>\$8,846,916</u>	<u>\$9,799,562</u>	<u>\$10,321,074</u>	<u>\$10,829,593</u>	<u>\$11,281,981</u>
* Includes \$1.2 million biennial general fund appropriation to continue CSED at the FY 2005 biennium level.								
Source: Legislative Fiscal Reports 2003 Biennium - 2007 Biennium and DPHHS Budget Status Report / 2007 Biennium								

Goal, Objectives, and a Biennial Comparison

As mentioned earlier, in addition to continued professional achievement of mandated federal goals and requirements, the legislature asked the division to include goals and objectives that would illustrate what was gained at the state, regional or local level to help legislators understand what is accomplished with the increased use of the general fund beyond the federal mandate. During the session, the division added goals and objectives that spoke to assisting Tribal child support programs, seeking increased medical support for children, and addressing staff retention.

In accordance with legislative interest in the use of goals and objectives as part of the legislative decision making process and ongoing program evaluation, the legislature included language in HB 2 requesting the division to report its progress toward the goals and objectives throughout the interim to the Legislative Finance Committee and the Children, Families, Health, and Human Services Interim Committee. The goals and objectives for the division may be found at: <http://www.dphhs.mt.gov/2007leg/bfsd.pdf>

The Governor vetoed the language.

Biennial Comparison

Figure 25 summarizes funding for the 2009 biennium compared to the 2007 biennium, reflects the impact of the federal DRA regulations, and illustrates supplemental appropriation approved by the legislature in HB 3.

Personal services for the 2009 biennium comprise 79.0 percent of the total budget. Operating costs account for 21.0 percent of the budget and show a slight decrease.

As mentioned earlier, CSED's goals and objectives were without reference to measurements that would illustrate what was achieved at the state level by the division's 168.25 FTE and the increased use of general fund. The legislature asked the division to expand its goals and objectives to address staff issues and some state-specific measurements. The division added measurements for: 1) staff retention and performance measures; 2) assistance for implementation of Tribal child support systems; and 3) internal audits to determine if caseworkers are completing all steps to secure maximum medical coverage for children.

The slight decrease in operating costs is driven by the division's \$0.8 million supplemental appropriation for FY 2007, which increased the 2007 biennium operation costs. The supplemental was a result of the reduction in revenue that comes from collections on TANF cases (page B-5) and two changes in federal incentive payments; 1) the elimination of incentive funds discussed earlier; and 2) the federal calculation of the incentive funds that arrives two years after the division has developed a budget. General fund for the division included supplemental appropriations of \$1.2 million in FY 2003 and \$1.0 million in FY 2005.

Other Legislation

The legislature also passed HB 450, which allows the Child Support Enforcement Division to request an exemption from the federal statute that requires the use of nine digit social security numbers for purchase of recreational licenses due to privacy concerns. CSED has requested and received federal permission to request only the last four digits of the social security number. This information, used in combination with other collected data such as names and birth dates, is sufficient for CSED to track the location of parents for purposes such as collection of child support.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 1,548,902	15.8%	\$ 3,695,028	34.1%	\$ 4,373,608	38.8%
01100 General Fund	1,548,902	15.8%	3,695,028	34.1%	4,373,608	38.8%
02000 Total State Special Funds	1,770,665	18.1%	1,727,767	16.0%	1,731,339	15.3%
02187 Child Support State Share	1,770,665	18.1%	1,727,767	16.0%	1,731,339	15.3%
03000 Total Federal Special Funds	6,479,995	66.1%	5,406,798	49.9%	5,177,034	45.9%
03570 93.563 - Child Support Ivd 66%	6,408,754	65.4%	5,406,798	49.9%	5,177,034	45.9%
03605 93.563 - Child Support Ivd 90/	71,241	0.7%	-	-	-	-
Grand Total	\$ 9,799,562	100.0%	\$ 10,829,593	100.0%	\$ 11,281,981	100.0%

As mentioned in the narrative, the decline of state and federal special revenues led to an increase in general fund to support the program. In the funding chart above, the general fund increase from 16 percent in FY 2006 to 39 percent in

FY 2009 and the reduction in federal funds from 66 percent in FY 2006 to 46 percent in FY 2009 are primarily due to the federal DRA.

State special revenue comes primarily from federal incentive funds received for meeting or exceeding the federal incentive performance measures and the retention of collections made on behalf of present and/or past TANF participants. The state retains a portion of the funds recovered on behalf of TANF cash assistance recipients at the state share of the federal FMAP rate, 32 percent state/68 percent federal. There is no retained revenue from non-TANF collections, which is simply collected and sent on. Figure 26 shows the history of TANF and non-TANF collections.

Figure 26 TANF and Non-TANF Collections FY 2002 - FY 2007						
	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007*
Number of TANF Cases	5,746	5,221	4,767	4,012	3,952	3,606
TANF Collections	\$7,283,629	\$7,286,738	\$6,677,447	\$5,884,235	\$5,802,895	\$4,387,811
State share of 32%	\$2,330,761	\$2,331,756	\$2,136,783	\$1,882,955	\$1,856,926	\$1,404,100
Non-TANF Collections	\$44,139,607	\$45,715,336	\$47,645,290	\$49,224,774	\$52,503,821	\$45,647,032
* As of 4/30/2007						
Source: CSED spreadsheet						

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2008					Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				761,967					797,122
Vacancy Savings				(336,021)					(337,434)
Inflation/Deflation				37,192					38,063
Fixed Costs				(169,904)					(169,904)
Total Statewide Present Law Adjustments				\$293,234					\$327,847
DP 6015 - State Motor Pool Rate Change									
0.00	(13)	0	(24)	(37)	0.00	(13)	0	(25)	(38)
DP 50004 - Child Support Enforcement Rent Increase (Restrict)									
0.00	37,686	0	73,156	110,842	0.00	40,879	0	79,353	120,232
Total Other Present Law Adjustments									
0.00	\$37,673	\$0	\$73,132	\$110,805	0.00	\$40,866	\$0	\$79,328	\$120,194
Grand Total All Present Law Adjustments				\$404,039					\$448,041

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 50004 - Child Support Enforcement Rent Increase (Restrict) - The legislature approved \$231,074 over the biennium to cover increases in rent for CSED office space located in Helena and regional offices in Butte, Billings, Great Falls, and Missoula. Rental expenditures support CSED activities and are therefore split 66 percent federal funding and 34 percent general fund.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
05	0.00	142,665	0	287,484	430,149	0.00	275,830	0	562,297	838,127
DP 6014 - Retirement Employer Contributions - HB63 & HB131										
05	0.00	3,115	0	5,703	8,818	0.00	3,318	0	5,908	9,226
DP 50001 - Child Support Enforcement General Fund										
05	0.00	99,718	(99,718)	0	0	0.00	102,782	(102,782)	0	0
DP 50002 - Child Support DRA Funding Switch (Restricted/OTO)										
05	0.00	1,620,765	0	(1,620,765)	0	0.00	2,154,589	0	(2,154,589)	0
DP 50005 - CSED Federal DRA \$25 Fee (Restricted)										
05	0.00	187,025	0	0	187,025	0.00	187,025	0	0	187,025
Total	0.00	\$2,053,288	(\$99,718)	(\$1,327,578)	\$625,992	0.00	\$2,723,544	(\$102,782)	(\$1,586,384)	\$1,034,378

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan in HB 13 of the regular session that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB63 & HB131 - The legislature adopted HB63 and HB131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 50001 - Child Support Enforcement General Fund - The legislature approved nearly \$202,000 general fund authority over the biennium with a corresponding decrease in state special revenue to support on-going operations of the division.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: State special revenues are not anticipated to be sufficient to pay all of the expected inflationary increases, and the division would not meet its goal to maintain division operations at current levels and efficiencies.

Performance Criteria and Milestones: In order to maintain federal funding, CSED must pass federal annual performance audits in mandated categories of paternity establishment, support order establishment, collection of current support, collection of arrears support and the overall cost effectiveness of the program. The division checks and enters financial data on a monthly basis in the SEARCHS system. A 'significant activities' report is generated monthly informing the division of performance during the month for each of the measured categories.

Obstacles and Risks: Obstacles could be encountered if the proposal is not passed and CSED failed a federal audit in one or more of the performance measures. Incentive funding could decline and the division might not be able to meet federally established operating requirements for TANF funding. If a child support division ceased to exist, the loss to Montana's children and families would be equivalent to annual CSED collections, and families would be on their own to deal with child support issues. Montana's eligibility for TANF block grant funding would be at risk. The Medicaid coverage secured by the division for children could be reduced. The program has resulted in approximately \$4.6 million in Medicaid cost avoidance.

DP 50002 - Child Support DRA Funding Switch (Restricted/OTO) - The legislature provided general fund of \$3.8 million over the biennium to replace the loss of funding due to the federal Deficit Reduction Act mandate that: 1)

eliminates the incentive funds match; and 2) reduces the 90 percent federal match for child support paternity testing services down to a federal match of 66 percent. General fund is appropriated to sustain the program at the current, historic level. The designation of the appropriation as one-time-only allows the next legislature to assess the impact of the funding switch on the base.

DP 50005 - CSED Federal DRA \$25 Fee (Restricted) - The legislature appropriated \$374,050 general fund over the biennium to meet the federal DRA requirement that CSED collect an annual \$25 fee from clients that have never been on TANF. The fee would be calculated after the first \$500 has been collected and 66 percent would be distributed to the federal government. This bill provides funding for the state to pay the fee rather than imposing it on families.

Due to uncertainty over the level of collections, the legislature opted to restrict the appropriation to allow excess funds to return to the general fund.

Language

The legislature approved the following language for inclusion in HB 2. However, the Governor vetoed some of the language. Vetoed language is shown in *italic*.

"Funding for Child Support Enforcement Rent Increase may be expended only for increases in rent for CSED office space located in Helena and regional offices in Butte, Billings, Great Falls, and Missoula.

Funding for Child Support Deficit Reduction Act may be expended only to replace federal funding from the elimination of the incentive funds match and the reduction of the federal match allowed for child support paternity testing services. Funds may be expended in the historical expenditure categories.

Funding for Child Support Enforcement DRA Fee may be expended only for the federally mandated \$25 fee according to the percentage split of the fee of 66% federal and 34% state.

Included in Child Support Enforcement Division/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and*
- (2) attainment of measurable objectives as outlined in the division final template presented to the joint appropriations subcommittee on health and human services.*

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200."